

EXHIBIT 1

INTRODUCTION

Respondent Robert J. Matkovich is a dentist, and the owner of Respondent Robert J. Matkovich, D.D.S., Inc., a California corporation, located in Chula Vista. In 2001 and 2002, Steve Padilla was a member of the Chula Vista City Council, located in San Diego County, having first been elected to that office in 1994. On March 5, 2002, Mr. Padilla was a candidate for Mayor of Chula Vista in the general municipal election. Mr. Padilla was the successful candidate for mayor in a run-off election later held on November 5, 2002. At all relevant times, the Friends of Steve Padilla 2002 was the controlled committee of Steve Padilla.

In this matter, Respondent Robert J. Matkovich, D.D.S., Inc. (“Respondent Corporation”) made 3 contributions, totaling \$750, to the Friends of Steve Padilla 2002 on or about December 5, 2001, in names other than its own name, in violation of Government Code Section 84301 of the Political Reform Act (the “Act”).¹ Respondent Corporation made 4 contributions, and Respondent Robert J. Matkovich (“Respondent Matkovich”) made 14 contributions, totaling \$4,500, to the Friends of Steve Padilla 2002 on and between September 3 and 4, 2002, in violation of Section 84301. In addition, Respondent Matkovich made a contribution in the amount of \$100 or more in cash to the Friends of Steve Padilla 2002 on or about September 3, 2002, in violation of Section 84300, subdivision (a). These violations denied the public of information regarding the true source of Steve Padilla’s financial support, during the time when he was running for Mayor of Chula Vista.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

- COUNT 1:** On or about December 5, 2001, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Graciela Lucatero, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 2:** On or about December 5, 2001, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Aaron Valencia, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 3:** On or about December 5, 2001, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Nicolo Addario, rather than its own name, in violation of Section 84301 of the Government Code.

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18109 through 18997 of Title 2, California Code of Regulations. All regulatory references are to Title 2, Division 6, of the California Code of Regulations, unless otherwise indicated.

- COUNT 4: On or about September 3, 2002, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Ryan Burger, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 5: On or about September 3, 2002, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Chris Ippolito, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 6: On or about September 3, 2002, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Chimin Koester, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 7: On or about September 3, 2002, Respondent Robert J. Matkovich, D.D.S., Inc. made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of James Panigall, rather than its own name, in violation of Section 84301 of the Government Code.
- COUNT 8: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Aaron Valencia, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 9: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Andra Gallardo, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 10: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Renee Carr, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 11: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Mark Beaty, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 12: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Tina Chimbole, rather than his own name, in violation of Section 84301 of the Government Code.

- COUNT 13: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Tim Mariani, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 14: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Consuelo Gloriani, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 15: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Ariel Rodriguez, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 16: On or about September 3, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Farhad Dena, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 17: On or about September 4, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Graciela Lucatero, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 18: On or about September 4, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Jorge Gonzalez, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 19: On or about September 4, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Leila Hariri, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 20: On or about September 4, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Blesilda Segaya, rather than his own name, in violation of Section 84301 of the Government Code.
- COUNT 21: On or about September 4, 2002, Respondent Robert J. Matkovich made a \$250 contribution to the Friends of Steve Padilla 2002 committee, in the name of Maria Velasco, rather than his own name, in violation of Section 84301 of the Government Code.

COUNT 22: On or about September 3, 2002, Respondent Robert J. Matkovich made a contribution of \$100 or more in cash to the Friends of Steve Padilla 2002 committee, in violation of Section 84300, subdivision (a) of the Government Code.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore provides for the full disclosure of receipts and expenditures in election campaigns through the periodic filing of campaign statements, as provided in Sections 84200 through 84211.

Prohibitions Regarding Campaign Contributions

In order to obtain disclosure of the true source of a contribution, Section 84301 provides that no contribution shall be made, directly or indirectly, by any person in a name other than the name by which that person is identified for legal purposes.

Section 84300, subdivision (a) also provides that no contribution of \$100 or more shall be made or received in cash.

Statute of Limitations for Administrative Proceedings

Section 91000.5 provides that an administrative action, pursuant to Chapter 3 of the Act (commencing with Section 83100), alleging a violation of any provisions of the Act, shall not be commenced more than five years after the date on which the violation occurred. The violations set forth in Counts 1 through 3 occurred in December 2001, which is outside of this five-year statutory period. However, Respondents hereby waive any statute of limitations defense in this matter.

SUMMARY OF THE FACTS

Respondent Matkovich is a dentist, and the owner of Respondent Corporation, a California corporation, located in Chula Vista. In 2001 and 2002, Steve Padilla was a member of the Chula Vista City Council, located in San Diego County, having first been elected to that office in 1994. On March 5, 2002, Mr. Padilla was a candidate for the Mayor of Chula Vista in the general municipal election. Mr. Padilla was the successful candidate for mayor in a run-off election held on November 5, 2002, beating his opponent by 7.7% of the vote. At all relevant times, the Friends of Steve Padilla 2002 was the controlled committee of Steve Padilla.

At all relevant times, a Chula Vista city ordinance imposed a \$250 limit on campaign contributions made to candidates for elected office, and prohibited contributions from corporations or businesses. As such, Respondent Matkovich was prohibited from making more than a \$250 contribution to the Friends of Steve Padilla 2002 committee in an election, and Respondent Corporation was strictly prohibited from making any contributions.

COUNTS 1-3

Making a Contribution in a Name Other Than One's Own Name

Respondent Corporation made three contributions, totaling \$750, to the Friends of Steve Padilla 2002 committee on or about December 5, 2001, in names other than its own name, in violation of Section 84301. Respondent Corporation made the contributions by a check issued in the amount of \$250 to each of the three contributors as "reimbursement for S. Padilla." Respondent Corporation did not notify the Steve Padilla campaign that it was the true source of these three contributions. Respondent Matkovich also made a \$250 contribution to the Friends of Steve Padilla 2002 committee on or about December 5, 2001.

The three contributions that were made by Respondent Corporation to the Friends of Steve Padilla 2002, in the names of persons who were employed by or were business associates of Respondent Corporation, are as follows:

Count	Receipt Date of Contribution	Person Reported as Contributor	Relationship to Respondent	Amount
1	12/05/01	Graciela Carmen Lucatero	Employee	\$250
2	12/05/01	Aaron Valencia	Office Manager	\$250
3	12/05/01	Nicolo Addario	M.D. - Business Associate	\$250
Total				\$750

By making the three contributions as stated above, Respondent Corporation committed three violations of Section 84301.

COUNTS 4-21

Making a Contribution in a Name Other Than One's Own Name

On or about September 3, 2002, Respondent Matkovich held a fundraiser at his dental office in Chula Vista in support of Steve Padilla. Steve Padilla was a friend of Respondent Matkovich, and a client of the dental business. In connection with this fundraiser, Respondents made eighteen contributions, totaling \$4,500, to the Friends of Steve Padilla 2002 committee on and between September 3 and 4, 2002, in names other than their own names, in violation of Section 84301.

Counts 4 - 7

In order to reimburse four individuals for the \$250 contributions they each made to the Friends of Steve Padilla 2002, Respondent Matkovich issued a \$1,000 check from the account of Respondent Corporation made payable to Ryan Burger on September 4, 2002. Mr. Burger was a dental supply company representative, and Respondent Matkovich's dental practice was one of his clients. At Respondent Matkovich's request, Mr. Burger asked three of his business associates or friends to each make a \$250 contribution to the Friends of Steve Padilla 2002. Mr. Burger cashed the \$1,000 check from Respondent Corporation, and reimbursed himself and the three others in cash

for their contributions. In addition to Ryan Burger, the other three contributors were Chris Ippolito, Chiminh Koester, and James Panigall.

By making the four contributions as stated above, Respondent Corporation committed four violations of Section 84301.

Counts 8 – 16

Respondent Matkovich made nine contributions by giving \$250 in cash to employees of his dental office, or friends or relatives of his employees, in order for each of them to, in turn, make a \$250 cash contribution to the Friends of Steve Padilla 2002 committee at the fundraiser held on or about September 3, 2002. The cash was used to make nine \$250 contributions in the names of Respondent Matkovich's employees, and their friends or relatives, rather than in his own name. The nine employees, and their friends or relatives, who made the \$250 cash contributions to the Friends of Steve Padilla 2002, were Aaron Valencia, Andra Gallardo, Renee Carr, Mark Beaty, Tina Chimbole, Tim Mariani, Consuelo Gloriani, Ariel Rodriguez, and Farhad Dena.

By making the nine contributions as stated above, Respondent Matkovich committed nine violations of Section 84301.

Counts 17 - 21

Respondent Matkovich also reimbursed five other employees in his dental office in cash for the \$250 contributions they each made to the Friends of Steve Padilla 2002 in the form of a check issued on September 4, 2002. Those employees were Graciela Carmen Lucatero, Jorge Gonzalez, Leila Hariri, Blesilda Segaya, and Maria Velasco.

By making the five contributions as stated above, Respondent Matkovich committed five violations of Section 84301.

The eighteen contributions stated above in Counts 4 through 21, which were made by Respondent Matkovich and Respondent Corporation on and between September 3 and 4, 2002, to the Friends of Steve Padilla 2002, are listed in the chart below:

Count	Receipt Date of Contribution	Person Reported as Contributor	Relationship to Respondent	Amount
4	09/03/02	Ryan Burger	Business associate	\$250
5	09/03/02	Chris Ippolito	Business associate	\$250
6	09/03/02	Chiminh Koester	Friend of an associate	\$250
7	09/03/02	James Panigall	Business associate	\$250
8	09/03/02	Aaron Valencia	Employee – Office Mgr.	\$250
9	09/03/02	Andra Gallardo	Employee – Dental asst.	\$250
10	09/03/02	Renee Carr	Employee- Receptionist	\$250
11	09/03/02	Mark Beaty	Friend of an employee	\$250
12	09/03/02	Tina Chimbole	Employee - Clerical	\$250

13	09/03/02	Tim Mariani	Friend of employee	\$250
14	09/03/02	Consuelo Gloriani	Employee – Dental asst.	\$250
15	09/03/02	Ariel Rodriguez	Employee – Dentist	\$250
16	09/03/02	Farhad Dena	Employee – Dentist	\$250
17	09/04/02	Graciela Carmen Lucatero	Employee	\$250
18	09/04/02	Jorge Gonzalez	Employee – Admin.	\$250
19	09/04/02	Leila Hariri	Employee – Dentist	\$250
20	09/04/02	Blesilda Segaya	Employee – Dental asst.	\$250
21	09/04/02	Maria Velasco	Employee	\$250
Total				\$4,500

By making the eighteen contributions as stated above, Respondent Matkovich and Respondent Corporation committed eighteen violations of Section 84301.

COUNT 22

Making a Contribution of \$100 or More in Cash

On or about September 3, 2002, in connection with the fundraiser held at his dental office as described above in Counts 4-21, Respondent Matkovich also made a contribution to the Friends of Steve Padilla 2002 in the amount of \$100 or more in cash. By making a contribution of \$100 or more in cash, Respondent Matkovich violated Section 84300, subdivision (a).

CONCLUSION

This matter consists of twenty-one violations of Section 84301, and one violation of Section 84300, subdivision (a), which carry a maximum administrative penalty of One Hundred and Ten Thousand Dollars (\$110,000).

Making campaign contributions in the name of another person denies the public of information about the true source of a candidate's financial support, and is one of the most serious violations of the Act. The typical administrative penalty in this type of case has historically been at or near the maximum penalty per violation, depending on the circumstances of the violation.

In aggravation, the reimbursements in this case were made in cash, or the contributions were directly made through intermediaries in cash, making them harder to detect. In addition, the campaign contributions in this case that were made using intermediaries clearly circumvented the \$250 per person local contribution limit applicable to Chula Vista city elections. Moreover, Respondent Matkovich was aware of the city's contribution limit ordinance.

In mitigation, the total amount of reimbursed or illegal contributions was relatively small.

Based on the facts and circumstances of this case, an administrative penalty in the amount of Ninety Nine Thousand Dollars (\$99,000) is justified.